

Message Text

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LA/DP:JSCHLOTTHAUER (DRAFT)
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LA/DR:MBROWN/CWEINBERG

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FM SECSTATE WASHDC
TO AMEMBASSY GUATEMALA

UNCLAS STATE 103452

GUATEMALA FOR ROCAP

E.O. 11652: N/A

TAGS:

SUBJECT: ROCAP DAEC REVIEW - REGIONAL AGRICULTURAL TRADE
PRP SUPPLEMENT

THE PRP SUPPLEMENT WAS REVIEWED BY THE DAEC ON APRIL 21,
1977, AND APPROVAL WAS GIVEN FOR ROCAP TO PROCEED WITH
THE PREPARATION OF THE PROJECT PAPER. PRINCIPAL OBSERVA-
TIONS OF AND DECISIONS TAKEN BY THE DAEC ARE OUTLINED
BELOW.

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1. TRADE POTENTIAL. ON THE BASIS OF ROCAP'S ASSESSMENT
OF CENTRAL AMERICA'S COMPARATIVE ADVANTAGE IN SELECTED
AGRICULTURAL PRODUCTS, CORRESPONDING OPPORTUNITIES IDENTI-
FIED FOR SPECIALIZATION AND IMPORT SUBSTITUTION, AND PRO-
JECTIONS OF INCREASED INTERNAL DEMAND FOR AGRICULTURAL
COMMODITIES WITHIN THE REGION, THE DAEC HAS AGREED THAT
SIGNIFICANT POTENTIAL EXISTS FOR AN EXPANSION OF INTRA-

REGIONAL AGRICULTURAL TRADE.

2. GOVERNMENT COMMITMENT. THE DAEC FELT THAT IT WAS ESSENTIAL TO SECURE FIRM COMMITMENTS FROM CENTRAL AMERICAN GOVERNMENTS TO MODIFY NATIONAL SELF-SUFFICIENCY POLICIES AND TO WORK TOWARD EXPANSION OF INTRA-REGIONAL TRADE. SUBMISSION OF PP AND AID/W APPROVAL WILL THEREFORE

BE CONTINGENT ON OBTAINING FIRM AND SATISFACTORY COMMITMENTS FROM MEMBER CACM COUNTRIES IN THE FOUR AREAS OUTLINED IN THE SUPPLEMENT. THE DAEC IS PARTICULARLY INTERESTED IN OBTAINING MEANINGFUL COMMITMENTS FROM CACM COUNTRIES TO REDUCE INTRA-REGIONAL TRADE BARRIERS WHICH ARE ESSENTIAL FOR INCREASED AGRICULTURAL TRADE. ASSUMING AGREEMENT CAN BE REACHED BY THE CACM ON THESE COMMITMENTS, THE PP SHOULD INDICATE HOW THESE COMMITMENTS WILL BE MEASURED, WHAT THE MISSION RECOMMENDS AS THE MINIMUM MIX OF COMMITMENTS ACCEPTABLE TO AID, AND WHAT APPROPRIATE ACTIONS ARE ENVISIONED IN THE EVENT OF A PARTIAL DEFAULT ON COMMITMENTS BY A CENTRAL AMERICAN COUNTRY.

3. IMPACT OF PROJECT ON EXPANDING INTRA-REGIONAL TRADE. WHILE RECOGNIZING THAT THE PROPOSED LOAN WILL NOT PROVIDE SUFFICIENT INCENTIVES TO CENTRAL AMERICAN GOVERNMENTS TO INCREASE INTRA-REGIONAL TRADE, THE DAEC AGREED THAT IT COULD PLAY A SUPPORTIVE ROLE IN FACILITATING TRADE IN THE EVENT COMMITMENTS ARE MADE TO REDUCE CURRENT TRADE BARRIERS. IN ORDER TO ESTIMATE UNCLASSIFIED

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THE IMPORTANCE OF THIS ROLE, THE PP SHOULD EXAMINE THE DEGREE TO WHICH MARKETING CONSTRAINTS ARE A MAJOR FACTOR LIMITING INTRA-REGIONAL TRADE IN BOTH TRADITIONAL AND NON-TRADITIONAL AGRICULTURAL COMMODITIES. WITHIN THIS CONTEXT, THE PP SHOULD ALSO REVIEW PRODUCTION (SUPPLY) CAPABILITY TO DETERMINE THE EXTENT IT MIGHT ALSO BE A CONSTRAINT TO EXPANDING REGIONAL TRADE IN CACM MEMBER COUNTRIES.

4. AID/W WOULD APPRECIATE ROCAP CONTINUING ITS EXCELLENT REPORTING MESSAGES ON PROGRESS OF ECLA INITIATIVE, HONDURAN-SALVADOREAN TALKS, ETC. CHRISTOPHER

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Disposition Approved on Date:
Disposition Case Number: n/a
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